

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-14-15, 23-24)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-14-15, filed on December 7, 1998; and OCA/USPS-23-24, filed on December 11, 1998.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

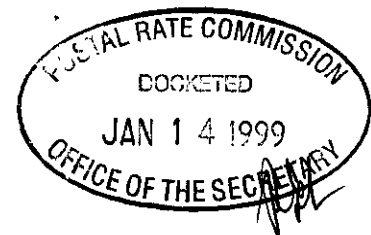
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OCA/USPS-14. In response to Issue 2 of NOI No. 1 (concerning the feasibility and desirability of dispensing presort discounts through an automated rebate system), Postal Service witness Garvey stated, "[T]he difficulties of tracking and matching *each piece's* origin to its ultimate qualifying rate would multiply the complexity many times over." Tr. 6/1505 (emphasis added).

- a. Please define "origin" as used here.
- b. Please confirm that all pieces of a particular MOL mailing remain in a single batch (whether combined with other mailings or not) prior to presorting. That is, pieces from one mailing will not end up in more than one batch prior to presorting. If you do not confirm, please explain, provide an example of the "splitting" of an MOL mailing among batches, and provide an estimate of the frequency of this phenomenon.
- c. Please confirm that the postage charge for a batch (whether consisting of one or several separate mailings) is the same whether calculated before or after distribution to print sites. That is, since print sites are defined by ZIP Codes, no presort bundles, trays, containers, etc. would be "broken" by distributing to print sites. If you do not confirm, please explain, provide an example of the "breaking" of presort by distributing batches to print sites, and provide an estimate of the frequency of this phenomenon.
- d. Please confirm that the total postage bill, the total number of pieces, and the average postage charge per piece can be determined for each job-type/page-count batch. If you do not confirm, please explain, provide an example of a batch for which this information cannot be determined, and provide an estimate of the frequency of this phenomenon.
- e. Please explain why it would be complex or difficult to determine the postage charge for an MOL mailing by multiplying the number of pieces in the mailing by the average postage charge per piece for the batch with which the mailing was combined.
- f. Please explain in greater detail why it would be complex or difficult to rebate the difference between the ex ante and ex post postage charges (ignoring accounting regulations, which are the subject of another interrogatory).

RESPONSE:

- a. Origin refers to the location of the original submitter of the files from which the mailpiece was created.
- b. Not confirmed. The MOL process is designed to route individual documents among multiple print sites based upon the ultimate delivery destination. Candidate batches are formed on a print site basis prior to,

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and without regard to, presortation processing. Thus, single customer mailings containing multiple documents routed to different print sites will contribute to multiple batches which are then themselves presorted *according to the batch content at the time of cutoff and batching*. This “splitting” will occur whenever mailings contain documents for more than one print site delivery area; no estimates are available of the frequency of this phenomenon.

- c. Confirmed that under the rules of the market test and as requested for the experiment, the postage rate – the basic automation rate – would be the same regardless of batching or distribution. However, if customers’ jobs were to be subject to regular presort requirements, actual postage charges for individual pieces would be highly likely to vary throughout the day as greater presort level concentrations were attained within some batches, and not others. This is a result of the strictly geographical routing and batching routines performed by the MOL system that maximize effective distribution of individual documents regardless of probable presort density.
- d. Confirmed that, as requested by the Postal Service for MOL, the total postage charge, the total number of pieces, and the per-piece postage charges for a MOL customer’s job can be determined at the time it is submitted. The reference to “job type/page count batch” is not clear. See also the response to part (e).

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- e. Batching does not occur until 2:00 PM and batch sortation is performed subsequent to the batching process. Thus presort levels and associated postage rates could not be known at the time jobs are submitted by customers. Using an average piece rate for the batch might be possible, but any averaging would necessarily occur after the customer's transaction was complete, making such a procedure both complex and difficult for the customer to understand.

- f. The use of a rebate system presumes the existence of a method for providing the rebated amount to a user. In the case of MOL, credit cards are currently the only method of payment. It is conceivable that a postage rebate could be calculated and credited to the user's credit card account once their mailing is distributed among print sites, batched and presorted to determine discount levels; however, such rebate amounts would often be very small and thus not cost effective for payment processing. In the future other payment methods are planned and any proposed rebate methodology would require compatibility with these forms of payment as well. The combined difficulties of multiple payment methods, multiple postage discounts and multiple print site batches would make tracking and processing rebates among multiple users a complex process from both systems design and administration perspectives. Such complexity would, moreover, contradict the Postal Service's goal of providing simplicity and ease of use for MOL customers.

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OCA/USPS-15. In response to a question from Commissioner Goldway (concerning the ability of the Postal Service to provide an ex post postage charge to MOL customers), Postal Service witness Garvey stated, "The problem is that we have a requirement to have payment for postage in hand when we take the mail" Tr. 6/1521.

- a. Please identify the "requirement" to which witness Garvey referred.
- b. Please provide a copy of any document setting forth the "requirement" to which witness Garvey referred.
- c. Is the Postal Service legally precluded from exempting MOL from the "requirement" to which witness Garvey referred? If so, please explain.
- d. Are there reasons other than legal preclusion that would discourage the Postal Service from exempting MOL from the "requirement" to which witness Garvey referred? If so, please explain.

RESPONSE:

- a-b. See *gen'ly*, DMCS § 3030, and Domestic Mail Manual § P011.
- c. A Commission case would be needed to exempt MOL from the requirement to have postage paid when the Postal Service accepts the mail. See, e.g., the Postal Service's response to OCA/USPS-T1-20, filed August 10, 1998 (illustrating some legal complexities in when matter becomes mail). The Postal Service has not determined its legal position on whether postage must be paid when the customer submits his or her job.
- d. Yes. See the responses to OCA/USPS-14 and 23 for why the Postal Service does not want a rebate system. Also, today the Postal Service avoids the cost and liability of a substantial "bad debts" line item for postage. From a business perspective continuing to avoid these costs is a compelling rationale to continue requiring postage payment at the time of mailing.

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OCA/USPS-23. Please refer to the report of the system developer (Tracor) found at Tr. 6/1382.

- a. The report states, "The system could determine for each batch site where a user's mail was destined and the number of pieces that qualify for automation rates. This *approach* is fraught with at least three major shortcomings." [Emphasis added.] Since the system's capability to track the destination and number of qualifying mailpieces is separate from the uses to which such information could be put, please describe in detail the "approach" referred to in the quote.
- b. The Tracor report identifies as a "shortcoming" "[t]he system resources required to determine these discounts." Please identify the discounts referenced in the quote.
- c. The Tracor report states, "This procedure would also adversely affect the amount of time required to complete the daily batch process for all submitted jobs."
 - i. Please describe in detail the "procedure" referred to in the quote.
 - ii. What is the current average amount of time required to complete the daily batch process for all submitted jobs during the market test?
 - iii. What is the estimated amount of time required to complete the daily batch process for all submitted jobs during each year of the experiment as proposed by the Postal Service?
 - iv. Please provide the increase in time required to complete the daily batch process for all submitted jobs as a result of the "procedure" referred to in the quote.
- d. The Tracor report states, "The developer's estimate is that the amount of physical time required to complete this process would increase by a factor of 2 to 3 times." Please confirm that the "amount of physical time required to complete this process" refers to the estimated time of the developer in establishing the approach described in response to part (a) of this interrogatory. If you do not confirm, please describe in detail the "process" referred to in the quote.

RESPONSE:

- a. The term "approach" refers to the procedure described in OCA/USPS-T1-57, part (h), as it might be applied to a rebate system. Implicit in the developer's response is the understanding that just because the elemental ability to collect and retain extensive data may exist and be made possible by the system design, common sense and rational

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evaluation should be the determinants in deciding what process best applies to any particular solution. The batching and sorting processes are currently performed independently of job submission, thus affording maximum flexibility in the timing and process relationship of these events. To use the procedure referred to in OCA/USPS-T1-57, part (h), in conjunction with a rebate system would require the rebate calculation process to occur simultaneously with batching and presorting, thus requiring immediate use of system resources while precluding the capabilities of subsequently rerouting or reconfiguring batches.

b. The referenced discounts would be those presort or automation discounts that would otherwise be made available to customers in lieu of the present MOL design.

c.

i. The cited response refers to the procedure posited in the question, OCA/USPS-T1-57, (h).

ii. The system developer estimates this time as five minutes.

iii. No reasonable estimate can be made at this time.

iv. The system developer estimates the time increase as 10-15 minutes.

d. Unable to confirm. No in-depth study of this approach (which was not adopted by the Postal Service) has been conducted. Notwithstanding, the Postal Service understands the "factor of 2 to 3 times" as referring to processing time.

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OCA/USPS-24. Please refer to Postal Service witness Plunkett's response to Notice of Inquiry No.1, Issue 1, at Tr. 5/1125, where he states:

The existing automation basic categories are most often applied to the residuum of larger mailings wherein most pieces qualify for deeper discounts. In such cases, the number of pieces to which the automation basic rate is applied may be well below the threshold minimums.

- a. Does the phrase, "residuum of larger mailings," mean that *all* pieces that do not "qualify for deeper discounts" receive the automation basic discount? If not, under what circumstances would residual pieces of a mailing otherwise qualifying for deeper discounts pay single-piece rates?
- b. Please assume a mailing consisting of 1,000 pieces, with 500 presorted to 5-digit and 400 presorted to 3-digit. Would the remaining 100 pieces receive the Automation Basic discount? How would the depth of sort for this mailing appear on a Qualification Report for Mailing Online? For a mailing submitted in hard copy?
- c. Please confirm that because the above 1,000-piece mailing exceeds the minimum volume requirements for Automation Basic, and "most of the pieces qualify for deeper discounts," the residuum of 100 mailpieces would always qualify for the Automation Basic discount if submitted in hard copy. If you do not confirm, please explain.
- d. Please assume a mailing consisting of 1,000 pieces, with 900 presorted to carrier route. Would the remaining 100 pieces automatically receive the Automation Basic discount? How would the depth of sort for this mailing appear on a Qualification Report for Mailing Online? For a mailing submitted in hard copy?
- e. Please confirm that because the above 1,000-piece mailing exceeds the minimum volume requirements for Automation Basic, and "most of the pieces qualify for deeper discounts," the residuum of 100 pieces would always qualify for the Automation Basic discount if submitted in hard copy. If you do not confirm, please explain.

OCA/USPS-24 Response:

- a. Confirmed. See also DMM §§ E140 (First-Class Mail) and E640 (Standard Mail).
- b. Yes. A mailing of this kind presented in hard copy would show 500 pieces presorted to 5-digits and paying the corresponding rate, 400 pieces presorted to 3-digits and paying the corresponding rate, with the remaining 100 pieces paying the Automation


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Basic rate. If the same mailing were sent through the Mailing Online system, the qualification report would show the same levels of presort, but the Automation Basic rate would be applied to all of the presort levels. The exact rates would of course depend upon the class of mail, the weight of the mailpieces, and any relevant worksharing discounts.

- c. Confirmed, though strictly speaking minimum volume requirements apply to automation rates in general, rather than just to Automation Basic rates. See also DMM §§ E140 (First-Class Mail) and E640 (Standard Mail).
- d. Yes. The qualification report for this mailing, assuming that the mailing was in all other respects eligible for (First-Class letter size) automation rates, would show 900 pieces qualifying for the 5-digit discount, and 100 pieces qualifying for Automation Basic rates. As with the example used in part (b), the only difference appearing on the Mailing Online qualification report is that the Automation Basic rates are applied to all presort levels. For a hard copy mailing, the qualification report would show 900 pieces to carrier route and 100 to Automation Basic.
- e. Confirmed, though as noted above minimum volume requirements apply generally to automation rates.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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